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Message Text

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43
ACTION EB-11

INFO OCT-01 IO-14 ISO-00 AGR-20 AID-20 RSC-01 COME-00

TRSE-00 SWF-02 STR-08 CIAE-00 INR-10 NSAE-00 SPC-03

L-03 DRC-01 /094 W
---------- 081316
R 181140Z FEB 74
FM USMISSION GENEVA
TO SECSTATE WASHDC 4049
AMEMBASSY ROME

UNCLAS GENEVA 0999

FOR FODAG - ROME

E. O. 11652:
TAGS: EAGR, ETRD, UNCTAD
SUBJECT: FAO/UNCTA SPECIAL SESSION ON OILSEEDS

REF: A. UNCTAD DICYNEBT TD/B/C.1/CONS.5/L.6
B. STATE 31083

1. REF A (DATED 29 JANUARY BUT RECEIVED BY MISSION ONLY ON FEBRUARY 13 AND POUCHED FEBRUARY 16 WITH SEPARATE COPY ADDRESSED INGERSOLL SAME DAY) IS UNCTAD REPORT ON PRICING POLICY FOR OILSEEDS, OILS, AND OILCAKES FOR ROME INTENSIVE CONSULTATIONS FEBRUARY 25. NINE OF ITS FIFTEEN PAGES ARE DEVOTED TO COMPENSATORY FINANCING SCHEMES RECOMMEND-

ED BY UNCTAD AS ALTERNATIVE TO TRADITIONAL TYPE OF COMMODITY AGREEMENT

WHICH SECRETARIAT CONSIDERS "IMPRACTICABLE."

2. DOCUMENT SUGGESTS THERE MUST BE CHOICE BETWEEN OBJECTIVE (OR COMBINATIONS) OF (A) COMPENSATION FOR PRICE FALLS FOR A STANDARD" QUANTITY OF EXPORTS OF EACH PRODUCT FROM INDIVIDUAL DEVELOPING COUNTRY. UNDER SCHEME AIMED AT BOJECTIVE (A) ABOVE, DOCUMENT REVIEWS MAIN OPERATIONAL ELEMENTS UNDER HEADINGS REFERENCE PRICES, REFERENCE QUANTITIES, REFERENCE EARNINGS, FUND TO OPERATE AN ARRANGE-
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MENT, AND SUPPLY COMMITMENTS. UNDER SCHEME AIMED AT OBJECTIVE

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(B) ABOVE, DOCUMENT REVIEWS EFFORTS DURING 1960S TO DEVISE SCHEMES TO COMPENSATE FOR SHORTFALLS IN EARNING (AND NOTES RENEWED INTEREST IN IDEA AS A RESULT OF EC COMMISSION MEMO TO EC COOUNCIL OF MINISTERS OUTLINING POSSIBLE COMPENSATORY FINANCING ARRANGMENT TO STABILIZE EXPORT RECEIPTS FOR NUMBER OF TROPICAL PRODUCTS FROM EC ASSOCIATES AND ASSOCIABLES) BUT SUGGESTS PRICE COMPENSATION SCHEMES WOULD BE SIMPLER AND EASIER TO ADMINISTER AND ALSO GIVE GREATER STIMULUS TO EXPANSION OF SUPPLIES.

3. CONCLUDING PARAS (27-30) OF REF A READ AS FOLLOWS:

QUOTE: 27. THERE ARE A NUMBER OF FACTORS WHICH FAVOUR THE INTRODUCTION OF A COMPENSATORY PAYMENTS ARRANGEMENT, AND PROBABLY MAKE IT THE ONLY INTERNATIONAL PRICING POLICY MEASURE THAT CAN BE REALISTICALLY BE APPLIED TO THE MARKET FOR VEGETABLE OILSEEKS, OILS AND OILCAKES. THE FIRST IS THAT SUCH AN ARRANGEMENT WOULD SEEM TO BE TECHNICALLY FEASIBLE AS A MEANS OF ACHIEVING STABLE PRICES OR EARNINGS OR OF PROVIDING PRICE OR INCOME SUPPORT IN CONNEXION WITH DEVELOPING COUNTRIES' EXPORTS, WHILE AT THE SAME TIME IT WOULD BE RELATIVELY SIMPLE TO ADMINISTER. SECOND, IT CAN BE OPERATED EITHER ON A WORLD-WIDE BASIS, WITH THE PARTICIPATION OF ALL EXPORTING AND IMPORTING COUNTRIES AND COVERING ALL OILSEEDS AND PRODUCTS OR AMONG A LIMITED NUMBER OF COUNTRIES FOR A LIMITED NUMBER OF PRODUCTS.

28. A THIRD FACTOR IS THAT A COMPENSATORY FINANCING APPROACH WOULD NOT BE AN UNTRIED APPROACH FOR OILSEEDS AND PRODUCTS. A SCHEME OF THIS KIND WAS OPERATED BY THE EUROPEAN ECONOMIC COMMUNITY UNDER THE FIRST YAOUNDE CONVENTION FOR CERTAIN OILSEEDS AND OKLS EXPORTED BY ASSOCIATED AFRICAN STATES TO THE COMMUNITY. AN EXAMINATION OF CERTAIN

FORMS OF THIS APPROACH WAS MADE IN 1968 BY A TECHNICAL WORKING PARTY SET UP BY THE THEN FAO STUDY GROUP ON OILSEEDS, OILS AND FATS. (SEE THE REPORT OF THE TECHNICAL WORKING PARTY (CC0:OF 68/21. 10 FEBRUARY 1968.) NO CONCRETE RESULTS FOLLOWED AND THE PROPOSALS FOR ACOMPENSA-TORY FINANCING ARRANGEMENT FOR VEGETABLE OILSEEDS AND PRODUCTS HAVE NOT BEEN DISCUSSED SINCE AT THE INTERNATIONAL LEVEL.

29. THE ALTERNATIVE TYPES OF COMPENSATORY ARRANGEMENT EACH HAVE THEIR MERITS AND SHORTCOMINGS. THEY RAISE A WIDE RANGE OF ISSUES OF A TECHNICAL AND FINANCIAL NATURE WHICH NEED CAREFUL STUDY AND UNCLASSIFIED

CONSIDERATION BY GOVERNMENTS OF BOTH IMPORTING AND EXPORTING COUNTRIES. SHOULD GOVERNMENTS REACH A CONSENSUS ON THE DESIRABILITY OF APPLYING A COMPENSATORY FINANCING APPROACH FOR OILSEEDS AND RPODUCTS IT MIGHT BE USEFUL TO CONSIDER FIRST THE POSSIBILITY OF ESTABLISHING IN THE NEAR FUTURE AN INTERIM ARRANGEMENT FOR WHICH THE CAPITAL RESOURCES REQUIRED WOULD BE LIMITED. SUCH AN ARRANGEMENT MIGHT AIM TO PROVIDE COMPENSATION FOR EXCESSIVE PRICE FLUCTUATIONS SO AS TO MITIGATE SEVERE HARDSHIPS TO GOVERNMENTS OF DEVELOPING

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COUNTRIES AND TO FARMERS IN THESE COUNTRIES. AT A LATER STAGE, FURTHER CONSIDERATION COULD BE GIVEN TO EXTEND THE SCOPE AND OPERATION OF SUCH AN ARRANGEMENT TO PROVIDE SOME COMPENSATION FOR UNFORESEEN VOLUME CHANGES.

30. IT MAY HELP IN CLARIFYING THE ISSUES INVOLVED IN ESTABLISHING A COMPENSATORY PAYMENTS SCHEME IF THE SPECIAL SESSION WERE TO FOCUS ITS DISCUSSION OF THE STABILIZATION PROBLEM ON THE FOLLOWING QUESTIONS:

1. ASSUMING THAT GOVERNMENTS AGREE THAT SOME FORM OF INTERGOVERNMENTAL CO-OPERATION OF PRICING POLICY FOR VEGETABLE OILSEEDS, OILS AND OILCAKES EXPORTED FROM DEVELOPING COUNTRIES IS DESIRABLE, WOULD THEY WISH SUCH CO-OPERATION TO TAKE THE FORM OF A COMPENSATORY FINANCING ARRANGEMENT?

2. IF SO, WHAT OBJECTIVES AND ELEMENTS WOULD BE ACCEPTABLE TO BOTH IMPORTING AND EXPORTING COUNTRIES?

UNQUOTE

4. UNCTAD SECRETARIAT STAFF RESPONSIBLE FOR PREPARATION OF REF A HAVE ALREADY LEFT GENEVA FOR ROME.DALE

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Draft Date: 18 FEB 1974
Decaption Date: 01 JAN 1960
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Disposition Event:
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